

Competitive Universal Service Principles

1. ***Rural customers should have access to affordable telecommunication services, comparable in quality and price to urban areas, from a range of competitive service providers.***

The Telecommunications Act of 1996 opened all sectors of the telecommunications marketplace to competition.

Consumers should be able to choose their provider based on the best price and service, without being steered to an ILEC by unbalanced subsidies. Artificial monopolies hurt consumers.

2. ***Funding should be explicit and sufficient to provide for critical infrastructure in rural areas.***

All universal service support should be provided in an equal dollar amount per line to ILECs and competitive carriers alike. Funding mechanisms should neither protect ILEC or wireless inefficiencies, nor impair scrutiny of their historic costs.

The FCC must complete the process of eliminating implicit subsidies through access charges or other hidden mechanisms, which the courts have held violate the 1996 Act.

3. ***Congress did not intend for High Cost Fund support to flow to only one ETC, nor to only the first service provider to be designated in a study area.***

Competitive neutrality must continue to be a core principle guiding all universal service policy. Nowhere in Sections 214 or 254 of the Communications Act is there a “we got here first, everyone else is out of luck” clause.

4. ***The FCC was exactly right when it created the presumption that a rural area will benefit from competition unless solid economic data is presented to show that funding more than one ETC promotes uneconomic competition. Protect the public interest, not the incumbent.***

“An important goal of the Act is to open local telecommunications markets to competition. Designation of qualified ETCs promotes competition and benefits consumers by increasing customer choice, innovative services, and new technologies. . . . We reject the general argument that rural areas . . . are not capable of sustaining competition for universal service support.” (FCC, October 2001, Designating Western Wireless as ETC on Pine Ridge Reservation in South Dakota)

5. ***All carriers receiving support should be held to the same service obligations.***

Federal rules list a nine-point checklist that all recipients of high cost support must follow. State commissions and the FCC have ample means to audit, investigate and penalize companies who do not comply with the checklist.

State Commissions should not protect incumbents by imposing unreasonable conditions on competitive entrants. In particular, there is no valid reason to require new entrants to comply with burdensome legacy regulations, designed to protect against the monopoly power of incumbent carriers – except to raise the costs to new entrants.

6. ***Funding should come from the broadest base of providers and services.***

Consumers sustain universal service funding and their burden should not be ignored.

The growth of the universal service fund has little or nothing to do with competitive entrants. ILECs still receive 96 to 97 percent of high-cost federal universal service funds (the fund is approximately \$3 billion). And the rural ILECs continue to lobby to eliminate even the existing modest, inflation-indexed cap on the growth of the funding they receive, which would truly balloon the fund.

Competitively neutral policy alternatives are available to limit the growth of the fund if necessary, without reestablishing barriers to competition.